



U. S. Department of Energy

Environmental Management Advisory Board

Contracting and Management Committee

Activities Progress and Status Report

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Chairperson

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Outline

- Current Activities and Observations/Recommendations
 - Joint assessments, studies and evaluations with WH&S Committee
 - Project Management
 - “Shared-Savings” Initiative
 - Incentives for Clean-up Review
- Planned Future Work and Next Steps



Joint Field Evaluations with WH&S Committee

- Field Evaluations conducted jointly with WH&S Committee
 - Savannah River Site: January 12 -13, 2000
 - Hanford Site: March 8 - 9, 2000
- *Focus*
 - ISM Implementation through Contracts
 - Project Management training, experience and roles/responsibilities



Joint Field Evaluations with WH&S Committee

(continued)

Observations

- *Incentivizing safe performance and safe work practices*
 - Field Offices vary on practice and position regarding incentivization
 - Worker involvement contributes significantly when all workers are involved in meeting a goal
 - Incentives can be a valuable tool in promoting safe work practices and performance



Joint Field Evaluations with WH&S Committee

(continued)

Observations

- *Roles and Responsibilities of Federal vs. Contractor Management for Safety in Work Performance*
 - Safety Roles and Responsibilities are in general, not always clearly defined in the performance of work
 - Roles and responsibilities of Federal vs Contract employees and management are inconsistent from site to site
 - Noted that at Hanford, positive effort to clarify the Federal vs Contractor roles and responsibilities
 - *Federal: Manage the Contract;*
 - *Contractor: Manage and perform the work*
 - Important for safer work conditions and cost management



Project Management Initiative

- *Objective:* to provide input and recommendations on establishment, functioning, and operation of the new EM Project Management Office (EM-5)
- *Background:* Secretary of Energy has established improvement of Program and Contract Management a FY 2001 Priority
- *Committee's Focus*
 - Roles and Responsibilities
 - Training
 - Project Managers in EM



Project Management Initiative

(continued)

Observations

- *Roles & Responsibilities and Career Paths*
 - Roles and responsibilities for federal project/program/contract managers are not clearly defined and/or vary between EM-HQ and EM sites
 - DOE does not have a process for identifying, selecting, training and retaining qualified EM program/project managers
 - EM remediation project contracts require expertise and skills in the area of program/project management
 - EM should establish a career path to expand the number of qualified managers capable of successfully meeting the contract management challenges



Project Management Initiative

(continued)

Recommendations

- *Establish a program/project Management career program in EM*
 - clearly defined roles and responsibilities
 - identifies, selects, and retains career project/program managers
 - encourage professional development through certification and other career development initiatives
 - “grandfathers” existing program/project managers who obtain certifications and/or who demonstrate prerequisite skills and knowledge
 - establishes accountability and rewards for successful performance, responsibility, and risks



Shared-Savings

- *What:* An acquisition strategy wherein the contractor covers up-front financing of a project in return for compensation from the savings achieved through the avoidance of future costs
 - This is *not* Privatization -- no new budget authority required
- *Committee's Focus*
 - Feasibility
 - Practicality
 - Benefits/Risks to EM and Stakeholders
 - Requirements/Impediments to implementation



Shared-Savings

(Continued)

- **DOE Experience:** FEMP Energy Savings Performance Contract and Energy Savings Act of 1988
- **EM Opportunity:** Reduction of Surveillance and Maintenance (S&M) costs and Complex's Mortgage
 - **Recommended Focus:** reduction of S&M costs by accelerating deactivation of contaminated surplus facilities/buildings
- **Why:**
 - EM S&M costs approaching ~ \$1Billion/year
 - EM S&M costs are *perpetual care* costs; S&M does not accomplish clean-up; closure or risk-elimination
 - Insufficient EM budget authority to contract complete deactivation (Note LCAM requirements)



Shared-Savings

(Continued)

- Additional Considerations
 - Beginning FY 02, EM facing significant addition of S&M projects from other DOE organizations (e.g. DP, NE, ER, etc) that will impact already constrained budgets
 - Additional S&M needs will compete for critical path closure, waste management and regulatory compliance funds
 - Reducing S&M activities should also facilitate improvements in safety



Shared-Savings

(Continued)

Recommendations

- Pursue adoption of the Shared Savings concept for consolidation, stabilization, and removal of contaminated facilities
- Pursue a pilot project to demonstrate and quantify the potential benefits to EM
- Work with the Deputy Secretary to include a pilot in the FY 2001 budget submission
- Prior to pilot project, solicit input from the public and stakeholders on requirements for implementing a successful shared savings program



Shared-Savings

(Continued)

Suggested EM Activities/Actions

- Evaluate pros/cons associated with focused “pilot” vs full legislative implementation
- Brief GC; PC; CR
- Identify and select a specific facility for pilot
 - develop proposal
 - identify current S&M costs
 - calculate savings, payback, and duration of paybacks
- Complete draft legislative language and internal/external transmittal memoranda



Planned Future Work and Direction

- Project Management Initiative
 - Coordinate with new EM-5 and Office of Engineering and Contract Management
 - Examine alignment of incentives
- Shared-Savings Initiative
 - Support EM in evaluation and
- Selected Field Evaluations/Assessments with WH&S Committee
 - e.g. Idaho
- Next Committee meeting: June 2000



Back-Up Slides Regarding Shared Savings Initiative

(From September 22, 1999 EMAB Meeting)



Shared-Savings

- *What:* An acquisition strategy wherein the contractor covers up-front financing of a project in return for compensation from the savings achieved through the avoidance of future costs
 - This is *not* Privatization -- no new budget authority required
- *Proven government contracting strategy*
 - Shifts early investment risks from government to contractor
 - Supports Performance-Based Contracting (e.g. rewards results through incentives)
 - Frees up limited capital/operating funds



Shared-Savings

(Continued)

- Criteria/Considerations for Shared-Savings Projects
 - Well-defined, “do-able” projects w/o requirements for new technology, R&D, etc.
 - Substantial long-term mortgage/S&M reduction capability
 - Performance schedule definable and achievable
 - Selected projects should be well characterized to minimize unknown risks



Shared-Savings

(Continued)

- Simplified Example -- Hanford Purex

	FY 94	FY 95	FY 96	FY 97	FY 98	TOTAL
A. Base S&M w/o Deactivation; 2.5% per annum Inflation adjustment	\$33M	\$33M	\$34M	\$35M	\$36M	\$171M
B. Actual Cost of Deactivation	\$11M	\$11M	\$12M	\$16M	\$0M	\$50M
C. Actual Cost of Base S&M	\$33M	\$32M	\$25M	\$6M	\$1M	\$97M
Actual Project Cost	\$44M	\$43M	\$37M	\$22M	\$1M	\$147M
Yearly Net Savings	\$-11M	\$-10M	\$-3M	\$13M	\$35M	\$24M
Net Savings over 5-years: \$24M; Over 10-years: >\$200M!						